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98TH CONGRESS } 1st Session	HOUSE OF REPRESENTATIVES	{ REPT. 98-110 Part 2
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## DEFENSE INDUSTRIAL BASE REVITALIZATION ACT

MAY 16, 1983.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. PERKINS, from the Committee on Education and Labor,  
submitted the following

### REPORT

together with

### MINORITY VIEWS

[To accompany H.R. 2782 which on April 27, 1983, was referred jointly to the Committee on Banking, Finance and Urban Affairs and Education and Labor]

[Including cost estimate of the Congressional Budget Office]

The Committee on Education and Labor, to whom was referred the bill (H.R. 2782) to amend the Defense Production Act of 1950 to revitalize the defense industrial base of the United States, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments, stated in terms of the page and line numbers of the introduced bill, are as follows:

Page 9, lines 7 and 14, insert "and employ" after "train" each place it appears.

Page 19, line 17, insert "(1)" after "(c)", and after line 25 insert the following new paragraph:

"(2) The President shall employ individuals for the purpose of assessing national strategic and critical minerals and materials in accordance with the National Materials and Minerals Policy, Research and Development Act of 1980 (Public Law 96-479)."

Page 20, line 4, strike out "sections 303B through 303E" and insert in lieu thereof "the amendments made by the Defense Industrial Base Revitalization Act".

Page 20, line 1, insert "(A)" after "(d)(1)" and after line 13 insert the following new subparagraphs:

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"(B) Such rates are not required to be paid trainees enrolled in a public training program, established under sections 303C and 303D of this Act unless they are employed in connection with projects funded under this Act in whole or in part, exclusive of wages and benefits, or projects covered by other statutes requiring the payment of such Davis-Bacon Act wage rates.

"(C) Notwithstanding subparagraph (B), trainees enrolled in a private training program, established under sections 303C and 303D shall receive such rates as required by such Davis-Bacon Act unless they are enrolled in training programs certified by the Secretary of Labor pursuant to such Act.

"(D) Participation by a trainee on a project not otherwise covered by such Davis-Bacon Act or related statutes requiring the payment of prevailing wages for laborers and mechanics shall not require the payment of such wages to employees on that project."

Page 25, line 12, strike out the close quotation marks and the following period and insert after such line the following:

"(e)(1) Except as provided in paragraph (2), the President may not exercise the authority granted under subsection (a) or (b) regarding any change in approved Department of Defense urgency determinations for critical defense production programs (including any compilation or revision of the master urgency list on defense production) unless both Houses of the Congress have been notified in writing of such proposed exercise of authority and 60 days of continuous session of the Congress have expired following the date on which such notice was transmitted to the Congress and neither House of the Congress has adopted, within such 60-day period, a resolution disapproving such exercise of authority.

"(2)(A) The provisions of paragraph (1) shall not apply in any case in which the President determines that immediate action is needed in the interest of national security and the President transmits a notice of such determination to both Houses of the Congress. Such notice shall be transmitted to both Houses of the Congress on the date on which the President makes such determination.

"(B) Any determination by the President under this paragraph shall remain in effect if neither House of the Congress adopts a resolution disapproving the exercise of the authority involved within 60 days of continuous session of the Congress after the date on which the notice involved under this paragraph is transmitted to the Congress. If either House of the Congress adopts such a resolution of disapproval, the President shall cease to exercise the authority involved on the date on which such resolution is adopted.

"(3) For purposes of this subsection, the continuity of a session of the Congress is broken only by an adjournment of the Congress sine die, and the days on which either House is not in session because of an adjournment of more than 3 days to a day certain are excluded in the computation of such 60-day period.

"(f)(1) The President shall not exercise the authority granted under subsection (a) or (b) of this section to achieve the performance of any contract or order for an item of defense production if such item, or any component of such item, is obtained from any manufacturer located outside of the United States, unless—

"(A) such contract or order is for less than \$1,000,000;

“(B) the Secretary of Defense has determined in writing that such contract or order will not result in the United States becoming primarily dependent upon manufacturers located outside of the United States for the supply of such items of defense production, or any component of such item; or

“(C) the President has certified in writing to the Congress that entering into such contract is essential to the national defense.

“(2) The requirements of paragraph (1) shall not apply—

“(A) during any period in which there is in effect—

“(i) a declaration of national emergency which is issued by the President; or

“(ii) a declaration of war which is adopted by the Congress; or

“(B) with respect to contracts or orders which are entered into under the terms of any treaty which is ratified by the Senate.

“(3) For purposes of this subsection, the term ‘United States’ means the several States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the Virgin Islands, the Northern Mariana Islands, American Samoa, the Trust Territory of the Pacific Islands, and any other territory or possession of the United States.”.

#### SUMMARY AND BACKGROUND

H.R. 2782, the Defense Industrial Base Revitalization Act, represents a cooperative legislative effort between two Committees, Banking, Finance and Urban Affairs, and Education and Labor. The bill is similar to legislation reported by both Committees in the 97th Congress. In considering this legislation, the Banking Committee exercised its jurisdiction over defense production, economic stabilization, and aid to industry, while the Committee on Education and Labor brought to bear its expertise in education and training programs.

H.R. 2782 addresses critical problems in the Nation's defense industrial base, as convincingly documented in the report of the Committee on Banking, Finance and Urban Affairs. Our support industries are shrinking, and our dependence on foreign imports for critical materials is growing. We lack the skilled workers for Defense-related jobs and the modern equipment for scientific and technical education. The Committee on Education and Labor concurs with the Banking Committee's assessment of the magnitude of the problem and the need for Federal legislation to modernize and strengthen our defense-related industries.

H.R. 2782 authorizes a 3-year, \$1.8 billion program of direct loans, loan guarantees, and purchase agreements for defense-related industries. Assistance will be made available to small- and medium-sized businesses for plant and equipment modernization, and to industries to expand domestic production and processing of critical and strategic minerals, metals, and materials. The report of the Banking Committee explains these programs in detail.

The legislation also authorizes up to \$350 million annually for fiscal years 1984 through 1986 for programs to train persons in

skills needed for the defense industry. States that submit training plans are eligible for grants, for programs administered by State boards of vocational education or other agencies designated by the Governor. The training of scientific, professional and technical personnel will be facilitated through grants to institutions of higher education to purchase and install modern equipment. Up to \$100 million of the \$350 million is set aside for the latter purpose.

#### SECTION-BY-SECTION ANALYSIS

Section 1 states the title of the bill to be the "Defense Industrial Base Revitalization Act."

#### TITLE I—INDUSTRIAL MODERNIZATION AND STRATEGIC AND CRITICAL MATERIALS

Section 101 amends Title III of the Defense Production Act of 1950 by adding sections 303A and 303B.

Section 303A, *Findings and Purpose*, contains Congressional findings and specifies the purpose of new sections 303A and 303B to be the strengthening of domestic capability and capacity of the Nation's defense industrial base by assisting in the process of capital investment in small- and medium-sized defense industries and encouraging the expansion of domestic production, processing and conservation of critical and strategic materials.

#### SECTION 303B—INDUSTRIAL MODERNIZATION AND STRATEGIC AND CRITICAL MATERIALS

Subsection (a) directs the President to act immediately to provide financial assistance for the modernization of United States industries which are necessary, or may be necessary in the event of emergency or war, to the manufacture or supply of national defense materials. Such assistance shall be in the form of loan guarantees, direct loans, purchase agreements, or price guarantees. The subsection limits such assistance to small- and medium-sized businesses as defined by the Department of Commerce, and specifies that, to the extent possible, assistance shall be given to small independently owned and operated businesses. Larger entities may receive assistance only if the President formally determines that the national interest requires such an exception to the limitation.

Subsection (b) directs the Secretary of Defense, in consultation with the Secretary of Commerce, to specify immediately which industries should be given priority for financial assistance, and to update the list or priority industries every 6 months. In addition, the Secretary of Defense is required, in consultation with the Secretary of Commerce, to specify the type and extent of financial assistance for each priority industry, and to indicate which businesses within the priority industries should be given preference because their modernization proposals offer the greatest prospects for productivity and quality improvements, and for reducing our reliance on foreign imports. Subsection (b) also requires that such proposals include a financial plan which shows how the assistance will aid the company to become even more economically viable.

Subsection (c) relates to strategic and critical materials expansion, directs the President to provide financial assistance in the form of loan guarantees, loans, purchase agreements or price guarantees, for the expansion of the domestic capability and capacity to produce or process strategic minerals, metals, and materials. In addition to existing production and processing techniques, this expansion is to include methods and techniques for conservation and recycling of, and substitution for, strategic minerals, metals, and materials as well as processes which will lead to a lessening or elimination of the need for traditional forms of strategic minerals, metals, and materials. This subsection requires that the Secretaries of Defense, Commerce, and Interior, and the Director of the Federal Emergency Management Agency, be consulted in carrying out the strategic minerals, metals, and materials expansion program.

Subsection (d) requires that financial assistance for the defense industrial base priority industries program of subsection (a) and the strategic and critical minerals, metals, and materials program of subsection (c) be provided on the basis of proposals submitted in response to public solicitations. The first such solicitation must be issued within 90 days of enactment of the bill.

Subsection (e) establishes the price guarantee financial assistance mechanism available under subsections (a) and (c) in connection with purchase agreements. It requires that purchase agreements must include the Government's right to refuse delivery of the materials ordered, and if the market price of the materials, as determined by the Secretary of Commerce, is lower than the contract price, the Government must pay the price difference.

Subsection (e) also prohibits financial assistance under subsections (a) and (c) to aid establishments in relocating from one area to another. Establishments may expand facilities provided that such expansion will not increase unemployment in the area of original location and will not result in the closing of any existing operations. Further, no financial assistance may be extended to assist persons in taking away contracts from those persons who customarily perform them.

Subsection (f) authorizes the appropriation of \$400 million, \$600 million, and \$800 million for fiscal years 1984, 1985, and 1986, respectively, with appropriated funds to remain available until expended, for carrying out the priority industries and strategic minerals, metals, and materials expansion programs of section 303B. This subsection also authorizes contingent liability financial incentives—loans, loan guarantees, and price guarantees—to be leveraged through use of Treasury borrowing authority, and based on estimated ultimate new costs of contracts to the Government. The estimated ultimate net costs may not exceed amounts appropriated by Congress. Ultimate net costs are to be estimated on the basis of experience of actual costs of these forms of financial incentives which have been utilized under the Defense Production Act. The use of contingent liability financial incentives and the Treasury borrowing authority are limited to the extent and amounts provided in advance in appropriation acts.

TITLE II—DEFENSE-RELATED SKILL TRAINING AND EDUCATION

Section 303C, *Findings and Purpose*, sets forth congressional findings on the need for defense-related skills training and the need for Federal assistance for educational equipment for such training. It also states that it is the purpose of sections 303D and 303E to provide assistance for training and employing individuals, especially dislocated workers, in such skills and for such educational equipment.

SECTION 303D—DEFENSE-RELATED SKILLS TRAINING PROGRAM

Subsection (a) directs the President to establish and implement a 3-year national program to train workers in skills which are necessary in the priority industries identified in subsections (a) and (b) of section 303B and in the strategic and critical minerals, metals, and materials expansion program of subsection (c), and for which skills there is, or is anticipated to be, a shortage. The Secretary of Defense, after consultation with the Secretary of Labor and the National Occupational Information Coordinating Committee, is to advise the President with respect to determining such skills shortages.

Subsection (b) provides that financial assistance for the program is to be in the form of grants to State Governors who will designate how the funds are to be allotted to boards of vocational education or other agencies designated by the Governor, such as "service delivery areas" established under the Job Training Partnership Act [JTPA]. A grant may be extended only after the State involved has submitted a 3-year plan, certified by the Governor of the State and approved by the President, for carrying out a skills training program. Subsection (b) also authorizes the President to provide technical assistance to the States.

Subsection (c) states that the President, in determining the extent to which State plans shall be funded, shall make use of all appropriate factors, with special emphasis to defense skill shortages and labor surplus areas in the State and the extent to which the State plan will serve dislocated workers.

Subsection (d) sets forth requirements for the President's approval of a State's skills training plan: That it be developed with workers and management of priority industries and with the State's public and private educational institutions; that it include meaningful opportunities for participation by minorities and women; that it include in addition to vocational, institutional and on-the-job skills training, upgrading skills of already trained workers, and retraining in the necessary skills of workers in industries which are depressed, workers in areas with surplus labor, and workers whose skills might become obsolete.

Subsection (e) authorizes certified apprenticeship training.

Subsection (f) requires that public and private training providers be selected through a competitive process.

Subsection (g) requires coordination in the plan's development with the State job training coordinating council under the Job Training Partnership Act.

Subsection (h) prohibits duplication of other Federal, State or local programs unless necessary to achieve the objectives of the skills training program.

Subsection (i) requires coordination with, and authorizes the administration of the skills training program by, programs under the Job Training Partnership Act. It also requires coordination with other employment and training programs.

Subsection (j) requires that the State plan must certify that certain labor training standards and protections are met. Conditions of training must be appropriate and reasonable; health and safety standards established under Federal or State law and applicable to employees must also apply to working conditions of trainees; and workers' compensation benefits shall be available to trainees where an applicable State law exists, or, if no such applicable law exists, program operators must secure insurance to cover injuries suffered by trainees. Protection against currently employed or laid-off worker displacement and impairment of employment contracts must be provided. The plan must also certify that funds for the skills training program will not be used either to aid or deter union organizing.

Subsection (k) requires that States provide matching funds equal to 10 percent.

Subsection (l) requires industry and labor to make contributions or to otherwise actively participate, except that the President may exempt industry and labor in depressed communities.

Subsection (m) allows a portion of the State match to be "in kind".

Subsection (n) requires that the President take action on a State plan, based on recommendations of the Secretaries of Defense, Labor, and Education, within 90 days of receipt of the plan.

Subsection (o) prohibits discrimination by race, color, religion, sex, national origin, age, handicap or political affiliation or belief.

Subsection (p) allows a State to spend no more than 10 percent for administering the program.

Subsection (q) permits the Federal grant assistance to be used for purchase and installation of equipment for training purposes but requires that such equipment be purchased through competitive bids.

Authority contained in section 303(e) of the Defense Production Act to install Government-owned equipment in private "industrial facilities" is extended by subsection (r) to vocational schools, other schools offering technical and vocational training, and other worker training facilities which are used in the program.

Subsection (s) authorizes to be appropriated to carry out the skills training program authorized by section 303D and the equipment assistance program authorized by section 303E, \$350,000,000 in each of fiscal years 1984 through 1986, of which up to \$100,000,000 is authorized to be appropriated each fiscal year for equipment assistance.

#### SECTION 303E—DEFENSE-RELATED EQUIPMENT ASSISTANCE PROGRAM

Subsection (a) directs the President to begin immediately to develop and implement a program of grants to institutions of higher

education for obtaining and installing modern equipment for training professional, scientific, and technical personnel needed in the priority industries identified under subsections (a) and (b), and in the strategic and critical minerals, metals, and materials expansion program of subsection (c) of section 303C.

Subsection (b) provides for an application for financial assistance process.

Subsection (c) states that grantees may be required to pay part, up to 50 percent, of the cost of equipment purchase and installation.

Subsection (d) states that, at the discretion of the President, section 303(e) Defense Production Act authority to install Government-owned equipment in private facilities may be extended to include colleges, universities, and other institutions of higher education.

#### SECTION 303F—GENERAL PROVISIONS

Subsection (a) requires that equipment or plant financed under sections 303A-303E must be of United States origin, to the maximum extent practicable. The only exceptions to this requirement are when the Secretary of Commerce determines, in writing, that foreign sourcing will not adversely affect the capability or capacity of the U.S. defense industrial base to provide national defense materials during an emergency or war, or that the U.S.-origin plant or equipment is unavailable and not practicable to obtain.

Subsection (b) requires the Comptroller General of the United States to monitor and audit the implementation of sections 303A-303E and to report to the Congress each year at the beginning of each session of Congress.

Subsection (c) directs the Office of Technology Assessment to study the public facilities and infrastructure needs essential to the defense industrial base and to report to Congress with appropriate recommendations.

Subsection (c) also mandates that the President employ individuals for the purpose of assessing national strategic and critical minerals and materials in accordance with the provisions of the National Materials and Minerals Policy, Research, and Development Act of 1980 (Public Law 96-479).

Subparagraph (d)(1)(A) applies the Davis-Bacon prevailing wage standards to the construction, repair, or alteration of projections funded by a loan, loan guarantee, or grant extended under this Act.

Subparagraph (d)(1)(B) provides that a trainee enrolled in a "public training program" established under sections 303 C and D of this Act, need not be paid Davis-Bacon prevailing wage rates unless such trainee is employed in connection with projects funded under this Act in whole or in part, exclusive of wages and benefits, or projects covered by other statutes requiring the payment of such Davis-Bacon Act wage rates.

Subparagraph (d)(1)(C) provides that a trainee who is enrolled in a "private training program" shall receive Davis-Bacon prevailing wage rates, unless the training program under which such trainee



is employed has received prior certification by the Secretary of Labor.

Subparagraph (d)(1)(D) provides that the participation of a trainee whose wages and benefits are funded in whole or in part under this act, shall not alone trigger the application of the Davis-Bacon Act to the project, where the Davis-Bacon Act or other related statutes would not otherwise (i.e., without the participation of such trainee) be applicable.

Subsection (e) directs the President to report to Congress every 6 months, listing all loans, loan guarantees, and commitments for loan guarantees issued under sections 303A-303E.

Subsection (f) states that no funds are authorized to carry out sections 303A-303E unless the funds are attributed to a budget function or budget allocation other than one affecting or relating to education or labor, the Departments of Education and Labor, the House Committee on Education and Labor, the Senate Committee on Labor and Human Resources, or any subcommittee of the House and Senate appropriations committees primarily responsible for education or labor appropriations.

Subsection (g) contains definitions of terms used in sections 303A-303E.

### TITLE III—AMENDMENTS TO THE DEFENSE PRODUCTION ACT OF 1950

Section 301 (a)(1) amends section 2 of the Defense Production Act, the Declaration of Policy, to bring the purpose of the act in keeping with present-day national defense and national security needs. In particular, the amendment calls upon executive agencies and departments to assess continuously the capability of the defense industrial base to satisfy both near-term and increased mobilization production requirements.

Section 301(a)(2) amends section 101 of the Defense Production Act to require, as part of any defense procurement contract of over \$5,000,000, a commitment by the contractor to conduct or sponsor skill training whenever additional skilled workers will be necessary and there is a shortage of such workers in the area in which the contract or a subcontract will be performed.

Section 301(a)(2) also adds a new subsection to section 101 of the Defense Production Act prohibiting the President, except under certain conditions, from exercising authorities under section 301 relative to priority performance of contracts and allocation of materials, unless he first submits to Congress for a 60-day period any change in approved Department of Defense urgency determinations for critical defense production programs. The change goes into effect if neither House of Congress disapproves the change. This requirement is waived if the President makes a determination that immediate action is needed in the interest of national security and transmits notice of that determination to Congress. The President's determination would remain in effect if after 60 days neither House of Congress disapproved it.

Section 301(a)(2) adds another new subsection to section 101 of the Defense Production Act prohibiting the President, except under certain conditions, from exercising authorities relating to priority performance of contracts and allocation of materials to carry out

any defense contract for items or components of such items obtained from foreign manufacturers.

The prohibition would not apply if the contract is less than \$1 million, or the Secretary of Defense determines the contract will not make the United States primarily dependent on foreign manufacturers for such items, or the President certifies to the Congress the contract is essential to the national defense. None of the requirements would apply if a national emergency or war exists or if a treaty ratified by the Senate would be violated.

Section 301(b) amends the loan guarantee authorizing section of the Defense Production Act (section 301) by increasing from \$38,000,000 to \$50,000,000 the threshold amount beyond which individual loan guarantees must be submitted for review by Congress. The subsection also amends the Congressional review procedure for such guarantees by shortening the review period from 60 to 30 days of continuous session and provides for an expedited approval through a concurrent resolution of both Houses of Congress.

Section 301(c) amends the direct loan section of the Defense Production Act (section 302) by reducing the congressional review period for loans over the threshold amount from 60 to 30 days of continuous session and provides for an expedited approval for such loans through a concurrent resolution of both Houses of Congress.

Section 301(d) would extend the termination date of the authorities of the Defense Production Act from September 30, 1983, to September 30, 1986.

Section 301(e) would repeal section 720 of the Defense Production Act, the National Commission on Supplies and Shortages, the authority for which was terminated in 1977.

Section 301(f) adds a new subsection to section 701 of the Defense Production Act requiring any contractor entering into an offset agreement of more than \$5 million in connection with the sale of defense articles or services for use by a foreign nation to report annually to the Secretary of the Treasury the totals for the three preceding years of all such offsets, classified by material or services. Reports are due by June 1 of each year beginning with 1984. "Offset" means any international transaction between a buyer and seller that provides nonmonetary compensation which may include, but not be limited to, the transfer of production or technology to the buyer as a consideration for the purchase of a particular item or service. This subsection prohibits the Secretary of the Treasury from disclosing the reported information except to the Congress, and requires an annual report from the Secretary by October 1 to the Congress on the total amount of offsets broken down by category of material or services and by recipient country.

The offset reporting requirements of the new subsection terminate 5 years after the date of enactment of the subsection.

The Secretary of Defense shall report to the Congress any memorandum of understanding or similar document which involves actual, planned or potential offsets in defense sales contracts totaling more than \$5 million within 30 days following their signing.

#### COMMITTEE INTENT

The Committee on Education and labor worked closely with the Banking Committee in developing this legislation, and the Education and Labor members appreciate the cooperation offered by the Banking Committee. Most of the Education and Labor members' concerns were addressed by the Banking Committee when that Committee drafted and marked up legislation. Thus, there are few differences in the version adopted by the Education and Labor Committee. These differences are outlined below.

First, the Committee adopted an amendment relating to strategic materials and minerals. Through the National Materials and Minerals Policy, Research and Development Act, Public Law. 96-479, the President is directed to establish a policy for the assessment of our Nation's strategic and critical materials and minerals. In order to facilitate the implementation of the act, and as a means of employing individuals in an area which is crucial for insuring our national defense, this section directs the President to use funds under this act for the assessment of critical materials and minerals. It is the recommendation of the Committee that the President, in fulfilling the requirements of this section, utilize an established facility and program designed for a similar purpose, such as the National Uranium Resource Evaluation Program currently within the Department of Energy.

Second, the Committee amended paragraph 303F(d)(1) by striking the specific references to "sections 303B through 303E" and inserting in place thereof, reference to "The amendments made by the Defense Industrial Base Revitalization Act". This change was made by the Committee in order to clarify the Davis-Bacon coverage of projects supported by this legislation.

The Committee's specific concern was the reference to section 303E in section 303F(d)(1). Section 303E provides a defense related equipment funding program. The concern was whether the reference to that section which provides for the purchase and installation of equipment—in section 303F establishing the Davis-Bacon coverage of the Defense Industrial Base Revitalization, would suggest an intention to alter the normal applicability of the Davis-Bacon Act to the installation of such equipment. This Committee intends, by this amendment, that such coverage not be altered.

The Davis-Bacon Act applies to jobsite installation of equipment under a contract in an amount exceeding \$2,000 for construction, repair, or alteration of a public building or public work in the United States. It does not apply, however, to all installation work. Delivery and incidental installation of equipment has always been considered an integral part of manufacturing and furnishing of equipment to a purchaser. Where manufacturing and furnishing of equipment involves no more than a minimal amount of jobsite activity, the Davis-Bacon Act has not applied to such installation. It is the intention of this Committee that the Davis-Bacon Act similarly not apply to such installation which is incidental to the furnishing of equipment in projects funded by section 303E of the Defense Production Act of 1950. On the other hand, where jobsite installation of equipment involves more than an incidental amount of erection or installation work, it has in the past been subject to

the Davis-Bacon Act, and the Committee intends, by the amendment, to insure that that rule would continue to prevail in connection with such installation of equipment in projects funded under section 303E. The intention of this amendment, then, is to underscore the Committee's concern that section 303F(d)(1) of the Defense Production Act of 1950 cannot be read to either expand or contract the traditional applicability of the Davis-Bacon Act to the installation of equipment. The Committee's action is consistent with the House's adoption of the Vento amendment during the consideration of H.R. 5540 in the 97th Congress.

The Committee also adopted an additional amendment to paragraph 303F(d)(1) setting forth the applicability of Davis-Bacon standards to trainees enrolled in the training programs established under sections 303 C and D of this Act and to clarify the effect a 303 C and D trainee would have on a project not otherwise determined to be a Davis-Bacon project.

New subparagraph "(d)(1)(B)" provides that a trainee who is enrolled in a "public training program", as such term is used in subsection 303D(f), need not be paid Davis-Bacon prevailing wages, unless the project on which the trainee is working is itself determined to be a Davis-Bacon project and thereby subject to the Davis-Bacon Act. Such a determination could be made as a result of the project's use of funds provided in whole or in part by this act, as long as such funds were not solely wages and benefits paid to a trainee under the act. Such a project determination could also be made by the application of some other statute requiring the payment of Davis-Bacon wages.

A "trainee enrolled in a public training program" is a person enrolled in a program funded under this act and whose employment is with and controlled by a public entity.

New subparagraph "(d)(1)(c)" provides that a trainee who is enrolled in a "private training program", as such term is used in subsection 303D(f), shall receive Davis-Bacon prevailing wage rates, unless the training program under which such trainee is employed has received prior certification from the U.S. Department of Labor, Employment and Training Administration, Bureau of Apprenticeship and Training. It is the intent of the Committee that with respect to the trainees enrolled in a "private training program" that Davis-Bacon wage determinations regarding these trainees be made consistent with the procedure set forth in 29 CFR § 5.5 (4)(ii) (1982).

A "trainee enrolled in a private training program" is a person enrolled in a program funded under this act and whose employment is with and controlled by a private entity.

New subparagraph "(d)(1)(D)" provides that the participation of a trainee whose wages and benefits are funded in a whole or in part under this act, shall not alone trigger the application of the Davis-Bacon Act to that project, where the Davis-Bacon Act or other related statutes would not otherwise—that is without the participation of such trainee—be applicable. In other words, the presence of a trainee funded under this act will not make a project a Davis-Bacon project unless such project is determined, without reference to such trainee, to be covered by the Davis-Bacon Act or a related statute requiring the payment of prevailing wages for all laborers and mechanics on such project.

Subsection 303D(o) of H.R. 2782, provides that, "No person shall be excluded from participation in, denied the benefits of, subjected to discrimination under, or denied training in the administration of or in connection with any program under this section because of race, color, religion, sex, national origin, age, handicap, or political affiliation or belief." It is the intent of the Committee that the above provision be administered by the Office of Civil Rights, U.S. Department of Labor, consistent with the regulations pursuant to the Job Training Partnership Act of 1982.

#### LEGISLATIVE CONSIDERATION

Rep. John J. LaFalce introduced H.R. 2782 on April 27, 1983, as an amendment in the nature of a substitute for H.R. 2057, an earlier version of the bill. The Subcommittee on Economic Stabilization marked up H.R. 2782 on April 27 and ordered it reported to the full Committee on Banking, Finance, and Urban Affairs. That Committee ordered it reported by a voice vote on May 4, 1983. Hearings had been held in the Banking Committee on H.R. 2057 on April 13, 14, and 20, 1983, and on related issues in the 97th Congress.

The Committee on Education and Labor, to whom the bill was jointly referred, ordered H.R. 2782 reported on May 11, 1983 by voice vote, with the Subcommittees on Elementary, Secondary, and Vocational Education; Postsecondary Education; and Employment Opportunities having been discharged from further consideration.

In considering this bill expeditiously before May 15, the Education and Labor Committee took into account findings from several days of oversight and legislative hearings conducted by its Subcommittees on vocational education, higher education, employment, and training programs.

#### OVERSIGHT

No findings or recommendations concerning oversight of the programs affected by this bill have been received by the Committee on Government Operations.

#### COST ESTIMATE

The Congressional Budget Office has provided the following estimate of the costs involved in implementing this legislation. The Committee concurs in this estimate and adopts it. No cost estimates have been received from the Department of Education.

The congressional Budget Office letter follows:

U.S. CONGRESS,  
CONGRESSIONAL BUDGET OFFICE,  
Washington, D.C., May 12, 1983.

HON. CARL D. PERKINS,  
*Chairman, Committee on Education and Labor, House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: Pursuant to Section 403 of the Congressional Budget Act, the Congressional Budget Office has prepared the attached cost estimate for H.R. 2782, the Defense Industrial

Base Revitalization Act as ordered reported by the Committee on Education and Labor on May 11, 1983.

Should the Committee so desire, we would be pleased to provide further details on this estimate.

Sincerely,

ALICE M. RIVLIN, *Director.*

CONGRESSIONAL BUDGET OFFICE—COST ESTIMATE

1. Bill number: H.R. 2782.
2. Bill title: Defense Industrial Base Revitalization Act.
3. Bill status: As ordered reported by the House Committee on Education and Labor on May 11, 1983.
4. Bill purpose: The bill amends Titles I, III and VII (in part) of the Defense Production Act of 1950 by adding new sections 303A through 303E and by changing the expiration date to September 30, 1986. The amended act authorizes the following:

Financial assistance in the form of direct loans, loan guarantees, purchase agreements or price guarantees to small- and medium-sized businesses to be used for the modernization of domestic industries necessary for national defense, or the expansion of domestic capability and capacity to produce or process strategic minerals, metals and materials;

Establishment of a 3-year national program in cooperation with the States to train workers necessary for the industries important to national defense;

Provision of grant assistance to institutions of higher learning for obtaining and installing modern equipment for training personnel needed in the priority industries and in the strategic materials expansion program;

Limitations on certain DoD contract awards of over \$5 million requiring worker training to be provided by the contractor;

Industrial defense mobilization activities of the Department of Commerce;

Certain emergency preparedness functions funded in the Federal Emergency Management Agency; and

The administration and disposal of inventory of materials procured under section 303 of the Defense Production Act. This is funded within the General Services Administration under the Federal Property Resources Service account.

5. Estimated cost to the Federal Government: If activity under the Defense Production Act were to be simply extended at the real level of fiscal year 1983 activity, the cost of the 3-year extension would be approximately \$4 million in estimated authorizations and outlays over the 3-year span.

However, the addition of sections 303A through 303E under the Defense Industrial Base Revitalization Act would expand the authorization levels by \$2.85 billion and estimated outlays by approximately \$1.25 billion over the 5-year interval, though the outlays will depend on how the President chooses to use the authority given to him in the bill.

[By fiscal year, in millions of dollars]

	1984	1985	1986	1987	1988
Extension of termination date to September 30, 1986:					
Budget function 370:					
Estimated authorizations .....	1	1	1	0	0
Estimated outlays .....	1	1	1	0	0
Budget function 050:					
Estimated authorizations .....	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	0	0
Estimated outlays .....	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	0	0
Provisions under new section 303:					
Budget function 050 industrial modernization (Subsection 303B):					
Purchase/price guarantees:					
Authorization level .....	400	600	800	0	0
Estimated outlays .....	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	60	140
State training grants (Subsection 303D):					
Estimated authorizations .....	250	250	250	0	0
Estimated outlays .....	125	315	250	60	0
College equipment (Subsection 303E):					
Estimated authorizations .....	100	100	100	0	0
Estimated outlays .....	50	130	100	20	0
Total authorizations .....	751	951	1,151	0	0
Total estimated outlays .....	176	444	351	140	140

<sup>1</sup> Amount less than 500 thousand.

Basis for estimate: Except where indicated, the authorization amounts are those stated in the bill. It is assumed that the full amount will be appropriated before each fiscal year.

The estimate for the cost of extending the existing provisions under the Defense Production Act is based on the administration's plans for 1984. These would require a little over \$1 million for the Department of Commerce mobilization activities and approximately \$0.2 million for activities carried out by the Federal Emergency Management Agency for each fiscal year of the extension. The 5-year estimate assumes a constant real level of activities with budget amounts adjusted to include CBO inflation assumptions.

The amendment to title I of the Defense Production Act of 1950 requiring contractors meeting certain specifications to undertake the training of workers is not expected to have a significant cost. The estimate assumes that most of the cost of training provided by contractors will be defrayed by participation in the State training plans authorized by the act, and that the remainder would be absorbed by the individual contractor. However, the number of contracts affected by this amendment is difficult to determine and there could be significant costs in terms of higher procurement prices to the Department of Defense if contractors are required to train a large number of workers.

The major cost of this bill is associated with implementation of Titles I and II of the act, directing the President to expand and solidify the national defense industrial base. Three sections, 303B, 303D, and 303E authorize appropriations; outlays are estimated using several key assumptions.

The estimate of outlays for section 303B is based on the administration's 1984 budget proposal. For the first time, this administration has requested funds for expanding the use of Defense Production Act authority and has set forth a plan guiding the use of that

authority. The administration has requested \$200 million in 1984 for Defense Production Act Purchases. The estimate assumes that the administration's program would be expanded to the \$400, \$600, and \$800 million authorized by the bill. This funding would be used solely for purchases of strategic parts and materials from domestic producers. Under the administration's plan, the average purchase contract is expected to cover a period of 10 years, with no estimated outlays in the first 3 years and outlays equal to approximately one-seventh the total amount of the contract in each of the remaining 7 years of the contract. These authorizations are broad, however, and in the event of a major change in policy or plan, the budget impact of this section could vary widely.

The estimate of authorization levels for sections 303D and 303E assumes that the grants to be used for equipment purchases (section 303E) would reach the maximum authorized amount of \$100 million stated in the bill, and that the training programs would require remaining authorization amounts.

Outlays of the worker training in cooperation with the States authorized under section 303D have been estimated based on experiences of the Manpower Development and Training Act and the Comprehensive Employment and Training Act [CETA]. Outlays estimated for the first year of the program are assumed to be somewhat lower than outlay patterns of either of the above acts because of the stipulation under section 303D requiring extensive States' participation in the program. Outlays estimated for the first year are 50 percent of total authorizations. This is also consistent with the CBO's estimates for title I of the Job Training Partnership Act which required State participation in fiscal year 1983.

Finally, outlays associated with section 303E are estimated assuming a slow first-year spendout of authorized funds. This slow rate is typical of new programs. The spendout rate for funds authorized under this section is assumed to level off at a higher constant rate after the first year.

6. Estimated cost to State and local government: Section 303D of this bill would provide \$250 million for each of fiscal years 1984-86 to States to fund up to 90 percent of the costs of establishing a worker training program.

[By fiscal year, in millions of dollars]

	1984	1985	1986	1987	1988
Estimated State and local outlays.....	-120/20	-300/50	-240/40	-60/10	0

Because activities funded under this section will be coordinated with other employment-related programs in each State, there is no clear basis for estimating how much of the outlays shown in the above table would be expended by States in the absence of this bill.

Basis of estimates: Section 303D of this bill stipulates that in order to receive Federal funds for the job training program, States must provide 10 percent of the cost of the State plan. This estimate assumes that, in order to receive the Federal grants in fiscal years 1984-86, States will voluntarily provide 10 percent of the costs of the plan. However, it is not known how much, if any, of the Federal



funds received would simply be substituted for State spending on existing training programs. The bill does not contain either a maintenance of effort or a nonsupplant clause that would prohibit such substitution. Vocational education representatives from several States with labor surplus areas, heavy industrialization and large amounts of defense contracting were contacted. Given the high levels of State spending already occurring for training and education in skills which are likely to be among those covered by this bill, there is a high potential for the substitution of Federal expenditures for the current expenditures by each State. Proper administration of this program may prevent such substitution. Therefore, the above range shows the maximum amounts that would be saved by States if all of the Federal funds replaced State spending, and the maximum additional amounts that would be spent by States if implementation of this program resulted in new State spending to provide the required State contribution of 10 percent of program costs.

The range of outlays above also includes an estimate of administrative expenses. Ten percent of the administrative costs of the program are payable from the Federal grant. The additional administrative expenses are calculated based on averages experienced in the CETA programs.

7. Estimate comparison: None.

8. Previous CBO estimate: An estimate for S. 855 which also amends the Defense Production Act of 1950 was prepared by the CBO on March 23, 1983. However, the amendments proposed under S. 855 and H.R. 2782 result in significantly different provisions and associated costs.

An estimate was prepared May 6, 1983 for H.R. 2782 as ordered reported by the House Banking, Finance, and Urban Affairs Committee, May 4, 1983. This estimate is identical to the previous estimate for H.R. 2782 because the differences in this bills' language have no significant cost impact.

9. Estimate prepared by: Barbara M. Hollinshead (226-2840).

10. Estimate approved by: C. G. Nuckols, for James L. Blum, Assistant Director for Budget Analysis.

#### INFLATIONARY IMPACT

There should be no inflationary impact of this legislation from its direct effect on budget outlays and the deficit. Based on the past experience of financial incentives used under the Defense Production Act, benefits in terms of economic activity, employment, and increased Federal, State, and local tax revenues far exceeded Federal funds actually spent. That ratio is at least 9 to 1 on the side of benefits.

If the legislation is implemented according to the full extent of its congressional mandate, industrial modernization should strengthen the subcontractor and supplier base, encouraging a strong competition among domestic firms for defense business and, indeed, in many civilian markets. Increases in production and worker productivity should dampen costs.

Improved quality and the reduction in reject parts also should bring cost savings. Less reliance on foreign imports will reduce the

dollar outflow overseas, improve the Nation's trade balance and balance of payments with corresponding favorable effects on the exchange rate of the dollar. All credit assistance and grants under H.R. 2782 will be used and invested in high-priority national security objectives and will be wealth-creating in economic character because of their dual application to the civilian economy as well as the defense industrial base. Industrial capability and capacity are both strengthened to meet the needs of the projected defense build-up and any economic recovery.

The skills training and education programs authorized by the legislation should lower defense costs by making more skilled workers available, thus decreasing procurement lead times and lowering labor cost inflation. They should also result in cost savings resulting from reduced transfer payments such as unemployment compensation and trade adjustment assistance.

#### CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in *italic*, existing law in which no change is proposed is shown in roman):

#### DEFENSE PRODUCTION ACT OF 1950

\* \* \* \* \*

#### DECLARATION OF POLICY

SEC. 2. In view of the present international situation and in order to provide for the national defense and national security, our mobilization effort continues to require some diversion of certain materials and facilities from civilian use to military and related purposes. It also requires the development of preparedness programs and the expansion of productive capacity and supply beyond the levels needed to meet the civilian demand, in order to reduce the time required for full mobilization in the event of an attack on the United States or to respond to actions occurring outside of the United States which could result in the termination or reduction of the availability of strategic and critical materials, including energy, and which would adversely affect the national defense preparedness of the United States. In order to insure the national defense preparedness which is essential to national security, it is also necessary and appropriate to assure domestic energy supplies for national defense needs.

In order to insure productive capacity in the event of such an attack on the United States, it is the policy of the Congress to encourage the geographical dispersal of the industrial facilities of the United States in the interest of the national defense, and to discourage the concentration of such productive facilities within limited geographical areas which are vulnerable to attack by an enemy of the United States. In the construction of any Government-owned industrial facilities, in the rendition of any Government financial assistance for the construction, expansion, or improvement of any

industrial facilities, and in the procurement of goods and services, under this or any other Act, each department and agency of the Executive Branch shall apply, under the coordination of the Office of Defense Mobilization, when practicable and consistent with existing law and the desirability for maintaining a sound economy, the principle of the geographical dispersal of such facilities in the interest of national defense. Nothing contained in this paragraph shall preclude the use of existing industrial facilities.】

**DECLARATION OF POLICY**

*SEC. 2. (a)(1) In view of continuing international problems, the Nation's demonstrated reliance on imports of materials and components, and the need for measures to reduce defense production lead times and bottlenecks, and in order to provide for the national defense and national security, our defense mobilization preparedness effort continues to require the development of preparedness programs, defense industrial base improvement measures, and the expansion of domestic productive capacity and supply beyond the levels needed to meet the civilian demand. Also required is some diversion of certain materials and facilities from civilian use to military and related purposes.*

*(2) These activities are needed in order to improve defense industrial base efficiency and responsiveness, to reduce the time required for industrial mobilization in the event of an attack on the United States or to respond to actions occurring outside the United States which could result in the termination or reduction of the availability of strategic and critical materials, including energy, and which could adversely affect the national defense preparedness of the United States. In order to insure the national defense preparedness which is essential to national security, it is also necessary and appropriate to assure the availability of domestic energy supplies for national defense needs.*

*(b)(1) In order to insure productive capacity in the event of an attack on the United States, it is the policy of the Congress to encourage the geographical dispersal of the industrial facilities of the United States in the interest of the national defense, and to discourage the concentration of such productive facilities within limited geographical areas which are vulnerable to attack by an enemy of the United States.*

*(2) In the construction of any Government-owned industrial facility, in the rendition of any Government financial assistance for the construction, expansion, or improvement of any industrial facility, and in the production of goods and services, under this or any other Act, each department and agency of the executive branch shall apply, under the coordination of the Federal Emergency Management Agency, when practicable and consistent with existing law and the desirability for maintaining a sound economy, the principle of the geographical dispersal of such facilities in the interest of national defense. However, nothing in this paragraph shall preclude the use of existing industrial facilities.*

*(3) To ensure the adequacy of productive capacity and supply, executive agencies and departments responsible for defense acquisition shall continuously assess the capability of the defense industrial*

*base to satisfy near-term requirements as well as increased mobilization production requirements. Such assessments shall specifically evaluate the availability of adequate production sources, including subcontractors and suppliers, materials, and skilled labor, and professional, scientific, and technical personnel.*

*(4) It is the policy of the Congress that plans and programs to carry out this declaration of policy shall be undertaken with due consideration for promoting efficiency and competition.*

#### TITLE I—PRIORITIES AND ALLOCATIONS

##### SEC. 101. (a) \* \* \*

\* \* \* \* \*

*(d) The Secretary of Defense may not enter into any contract of more than \$5,000,000 for any item of defense production from any manufacturer located in the United States unless that manufacturer agrees to conduct or sponsor the training of personnel in skills which the President determines are in short supply pursuant to section 303D, if the defense procurement contract will require the contractor or any subcontractor of the contractor to hire additional workers in any such skilled occupations, and the training of such workers is critical to the timely completion of work under the contract in the area in which the contract will be performed.*

*(e)(1) Except as provided in paragraph (2), the President may not exercise the authority granted under subsection (a) or (b) regarding any change in approved Department of Defense urgency determinations for critical defense production programs (including any compilation or revision of the master urgency list on defense production) unless both Houses of the Congress have been notified in writing of such proposed exercise of authority and 60 days of continuous session of Congress have expired following the date on which such notice was transmitted to the Congress and neither House of Congress has adopted, within such 60-day period, a resolution disapproving such exercise of authority.*

*(2)(A) The provisions of paragraph (1) shall not apply in any case in which the President determines that immediate action is needed in the interest of national security and the President transmits a notice of such determination to both Houses of the Congress. Such notice shall be transmitted to both Houses of the Congress on the date on which the President makes such determination.*

*(B) Any determination by the President under this paragraph shall remain in effect if neither House of the Congress adopts a resolution disapproving the exercise of authority involved within 60 days of continuous session of the Congress after the date on which the notice involved under this paragraph is transmitted to the Congress. If either House of the Congress adopts such a resolution of disapproval, the President shall cease to exercise the authority involved on the date on which such resolution is adopted.*

*(3) For purposes of this subsection, the continuity of a session of Congress is broken only by an adjournment of the Congress sine die, and the days on which either House is not in session because of an adjournment of more than 3 days to a day certain are excluded in the computation of such 60-day period.*

*(f)(1) The President shall not exercise the authority granted under subsections (a) or (b) of this section to achieve the performance of any contract or order for an item of defense production if such item, or any component of such item, is obtained from any manufacturer located outside of the United States, unless—*

*(A) such contract or order is for less than \$1,000,000;*

*(B) the Secretary of Defense has determined in writing that such contract or order will not result in the United States becoming primarily dependent on manufacturers located outside of the United States for the supply of such item of defense production, or any component of such item; or*

*(C) the President has certified in writing to the Congress that entering into such contract is essential to the national defense.*

*(2) The requirements of paragraph (1) shall not apply—*

*(A) during any period in which there is in effect—*

*(i) a declaration of national emergency which is issued by the President; or*

*(ii) a declaration of war which is adopted by the Congress; or*

*(B) with respect to contracts or orders which are entered into under the terms of any treaty which is ratified by the Senate.*

*(3) For purposes of this subsection, the term "United States" means the several States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the Virgin Islands, the Northern Mariana Islands, American Samoa, the Trust Territory of the Pacific Islands, and any other territory or possession of the United States.*

\* \* \* \* \*

### TITLE III—EXPANSION OF PRODUCTIVE CAPACITY AND SUPPLY

SEC. 301. (a) \* \* \*

\* \* \* \* \*

*(e)(1)(A) Except as provided in subparagraph (B), the maximum obligation of any guaranteeing agency under any loan, discount, advance, or commitment in connection therewith, entered into under this section shall not exceed ~~[\$38,000,000]~~ \$50,000,000.*

*(B) Guarantees which exceed the amount specified in subparagraph (A) may be entered into under this section only if the Committees on Armed Services of the Senate and the House of Representatives have been notified in writing of such proposed obligation and (i) ~~[60]~~ 30 days of continuous session of Congress have expired following the date on which such notice was transmitted to such committees and neither House of Congress has adopted, within such ~~[60-day]~~ 30-day period, a resolution disapproving such obligation or (ii) both Houses of Congress adopt a concurrent resolution approving such obligation. If the Congress adopts such a concurrent resolution, the guarantee involved may be made at any time after the date on which such concurrent resolution is adopted. For purposes of this subparagraph, the continuity of a session of Congress is broken only by an adjournment of the Congress sine die,*

and the days on which either House is not in session because of an adjournment of more than 3 days to a day certain are excluded in the computation of such ~~60-day~~ 30-day period.

\* \* \* \* \*

SEC. 302. To expedite production and deliveries or services to aid in carrying out Government contracts for the procurement of materials or the performance of services for the national defense, the President may make provisions for loans (including participations, or guarantees of loans) to private business enterprises (including research corporations not organized for profit) for the expansion of capacity, the development of technological processes, or the production of essential materials, including the exploration, development, and mining of strategic and critical metals and minerals, and manufacture of newsprint. Such loans may be made without regard to the limitations of existing law and on such terms and conditions as the President deems necessary, except that (1) financial assistance may be extended only to the extent that it is not otherwise available on reasonable terms and (2) no such loan may be made in an amount in excess of \$48,000,000 unless the Committees on Armed Services of the Senate and the House of Representatives have been notified in writing of such proposed loan and (A) ~~60~~ 30 days of continuous session of Congress have expired following the date on which such notice was transmitted to such Committees and neither House of Congress has adopted, within such ~~60-day~~ 30-day period, a resolution disapproving such loan or (B) both Houses of Congress adopt a concurrent resolution approving such loan. If the Congress adopts such a concurrent resolution, the loan involved may be made at any time after the date on which such concurrent resolution is adopted. For purposes of this section, the continuity of a session of Congress is broken only by an adjournment of the Congress sine die, and the days on which either House is not in session because of an adjournment of more than 3 days to a day certain are excluded in the computation of such ~~60-day~~ 30-day period.

\* \* \* \* \*

#### FINDINGS AND PURPOSE

SEC. 303A. (a) *The Congress hereby finds, with respect to section 303B, that—*

*(1) the national defense and economic health of the United States depend upon the continuous maintenance of a strong and modern industrial base and the uninterrupted access to those critical and strategic materials needed to supply such base;*

*(2) in recent years, several important industries, representing a significant portion of our Nation's second and third tier defense industrial base, have either virtually shut down or have substantially reduced their production capacity;*

*(3) a major factor in the decline of this part of our national defense industrial base has been the inability of small- and medium-sized businesses to obtain access to sufficient capital to remain competitive in the face of increasing foreign competition;*

(4) as a result, important segments of the United States defense industrial base are now characterized by declining productivity, aging facilities and machinery, and a high degree of import penetration; and

(5) at the same time, the United States has also found itself increasingly and dangerously dependent upon foreign sources for critical and strategic materials necessary to our defense capability.

(b) It is the purpose of section 303B to strengthen the capability and capacity of the Nation's defense industrial base by assisting in the process of capital investment in certain small- and medium-sized businesses vital to our defense preparedness, and by encouraging the expansion of domestic production, processing, and conservation of strategic and critical materials.

#### INDUSTRIAL MODERNIZATION AND STRATEGIC AND CRITICAL MATERIALS

SEC. 303B. (a)(1) The President, utilizing the types of financial assistance specified in sections 301, 302, and 303, and any other authority contained in this Act, shall take immediate action to assist in the modernization, improvement, and expansion of productive capacity of industries in the United States which are necessary to the manufacture or supply of national defense materials which are required for the national security or are likely to be required in a time of emergency or war.

(2) Such assistance shall be provided only to small- and medium-sized businesses, as defined by the Secretary of Commerce, unless the President determines that the interests of national defense require an exception to this limitation.

(3) The financial assistance provided under this subsection shall, to the greatest extent possible, be made available to small independently owned and operated businesses.

(b)(1) The Secretary of Defense, in consultation with the Secretary of Commerce, shall—

(A) determine immediately, and semiannually thereafter, those industries which should be given priority in the awarding of financial assistance under subsection (a);

(B) determine the type and extent of financial assistance which should be made available to each such industry; and

(C) with respect to the industries specified pursuant to subparagraph (A), indicate those proposals, received under subsection (d), which should be given preference in the awarding of financial assistance under subsection (a) based on a determination that such proposals offer the greatest prospect for improving productivity and quality, and for providing materials which will reduce the Nation's reliance on imports.

(2) Each proposal shall include a financial plan which specifies how the assistance offered under this section shall be used to insure that the company involved, by receiving such financial assistance, will become more economically viable in the future.

(c)(1) The President shall extend assistance under sections 301, 302, and 303, and any other authority contained in this Act, to persons engaged in the expansion of the domestic capability and capac-

ity to produce or process critical and strategic metals, minerals, and materials, including—

(A) the conservation, substitution, and recycling of such metals, minerals, and materials; and

(B) the development of processes, alternate product designs and material selection systems, which lessen or obviate the need for such critical and strategic metals, minerals, and materials.

(2) The President shall exercise the authority granted under this subsection in consultation with the Secretary of Defense, the Secretary of the Interior, the Secretary of Commerce, and the Director of the Federal Emergency Management Agency.

(d) The President, in extending assistance under subsections (a) and (c), shall extend such assistance on the basis of proposals submitted in response to a series of public solicitations, the first of which shall be issued by the President within ninety calendar days following the date of the enactment of this section.

(e)(1) Any contract for financial assistance which is awarded under subsection (a) or (c) and which utilizes financial assistance through purchase agreements specified in section 303 shall provide that the President has the right to refuse delivery of the items specified in such contract and to pay the person involved an amount equal to the amount by which the price for such items, as specified in the contract involved, exceeds the market price, as determined by the Secretary of Commerce, for such items on the delivery date specified in such contract.

(2) Financial assistance under subsection (a) or (c) shall not be extended to assist establishments relocating from one area to another or to assist persons whose purpose is to divest, or whose economic success is dependent upon divesting, other persons of contracts therefore customarily performed by them, except that such limitation shall not be construed to prohibit such financial assistance for the expansion of an existing business entity through the establishment of a new branch, affiliate, or subsidiary of such business entity if the President finds that the establishment of such branch, affiliate, or subsidiary will not result in an increase in unemployment in the area of original location or in any other area where such entity conducts business operations, unless the President has reason to believe that such branch, affiliate, or subsidiary is being established with the intention of closing down the operations of the existing business entity in the area of its original location or in any other area where it conducts such operations.

(f)(1)(A) There are authorized to be appropriated to carry out the provisions of subsections (a), (b), and (c) not to exceed—

- (i) \$400,000,000 for fiscal year 1984;
- (ii) \$600,000,000 for fiscal year 1985; and
- (iii) \$800,000,000 for fiscal year 1986.

(B) Such sums shall remain available until expended.

(2)(A) In the use of loan guarantees, price guarantees, and direct loans as Federal financial incentives to accomplish the objectives of this section, the President may utilize the borrowing authority of the Treasury to the extent that the estimated ultimate net cost of such incentives to the Government does not exceed the total of appropriations made by the Congress to carry out the provisions of subsections (a), (b), and (c). Such estimates shall be based upon the past



*experience of the actual costs of Federal financial incentives under this Act and related expenses.*

*(B) The use of loan guarantees, price guarantees, and direct loans under this section and the use of the borrowing authority of the Treasury under this subsection shall be effective for any fiscal year only to such extent or in such amounts as are provided in advance in appropriation Acts.*

#### **FINDINGS AND PURPOSE**

**SEC. 303C.** (a) *The Congress hereby finds, with respect to sections 303D and 303E, that—*

*(1) there is a serious shortage of trained workers for many critical defense-related occupations;*

*(2) in many such occupations, this labor shortage will worsen as the present defense buildup gets underway;*

*(3) this labor shortage has the potential of serious jeopardizing the Nation's defense preparedness;*

*(4) there is currently no federally focused effort to remedy this threat to our national security by training workers specifically for critical defense-related jobs;*

*(5) this labor shortage is occurring at the same time that vast numbers of skilled and semi-skilled workers have been permanently dislocated from their prior occupations; and*

*(6) there is currently inadequate assistance being provided to institutions of higher education to assist them in obtaining and installing the modern equipment needed to train individuals for work in such occupations.*

*(b) It is the purpose of sections 303D and 303E to train and employ individuals, especially dislocated workers, for jobs in critical defense-related skills, as determined by the President, and to provide assistance to institutions of higher education to obtain and install equipment to train individuals in such skills.*

#### **DEFENSE-RELATED SKILLS TRAINING PROGRAM**

**SEC. 303D.** (a)(1) *The President shall take immediate action to develop and implement a national program to train and employ workers in skills which the President determines are necessary in the industries identified under subsections (a), (b), or (c) of section 303B, and which the President determines are in short supply or are anticipated to be in short supply.*

*(2) The Secretary of Defense, after consultation with the Secretary of Labor and the National Occupational Information Coordinating Committee, shall transmit to the President the recommendations of the Secretary of Defense regarding the determinations which the President is required to make under paragraph (1).*

*(b)(1) Assistance under this section shall be in the form of a grant to a Governor to be allotted to a State board of vocational education or other agency or agencies designated in the State plan by the Governor of the State involved. Such grants may be extended only if a State plan for a three-year program of skills training has been submitted by the Governor to the President and approved by the President.*

*(2) The President may, to the extent possible—*

- (A) provide assistance in coordinating the State plans developed under this section; and*
- (B) provide technical assistance and support services in the implementation and conduct of programs of skills training which are carried out under this section.*
- (c) The President, in determining the extent to which State plans shall be funded shall make use of all appropriate and reasonable factors, but shall give particular emphasis to—*
  - (1) the present or anticipated short supply in that State of skilled workers for industries identified by the President under subsection (a), (b), or (c) of section 303B;*
  - (2) the number of labor surplus areas in such State; and*
  - (3) the extent to which the State plan is designed to train dislocated workers for skilled occupations in such industries which are presently in short supply or anticipated to be in short supply upon the completion of such training.*
- (d) The President shall not approve for funding any State plan unless—*
  - (1) the State plan has been developed with representatives of the management and workers of the industries involved and with public and private educational institutions of the State;*
  - (2) the State plan includes on-the-job training, vocational, and other institutional training programs;*
  - (3) the State plan is designed to ensure meaningful opportunities for participation by minorities and women;*
  - (4) the Governor of the State has certified in writing that the State plan will be carried out in accordance with the requirements of this section; and*
  - (5) such State plan includes—*
    - (A) upgrading skills training; and*
    - (B) retraining of workers in depressed industries, in surplus labor areas, or with occupational skills which might become obsolete because of industrial modernization or technological advancement, in skills which the President determines under subsection (a) are necessary in the industries identified under subsection (a), (b), or (c) of section 303B as necessary to the manufacture or supply of national defense materials which are required for the national security or are likely to be required in a time of emergency or war.*
- (e) The State plan shall, where appropriate, include certified apprenticeship training pursuant to an apprenticeship plan.*
- (f) Any bona fide public or private training program engaged in training workers in skills described in subsection (a) shall be considered eligible to deliver such training services upon written application, pursuant to a competitive process, to the State board of vocational education or other agency or agencies designated by the Governor of the State involved under subsection (b)(1).*
- (g) The State job training coordinating council under Public Law 97-300 shall be given the opportunity—*
  - (1) to participate in the development of the plan;*
  - (2) to review the plan for thirty days prior to its submission to the President; and*

(3) to submit written comments along with the submission of the plan to the President.

(h) The activities funded under this section shall not duplicate facilities or services available in the area (with or without reimbursement) from Federal, State, or local sources, unless the plan provides evidence that alternative services or facilities would be more effective or more likely to achieve the objective specified in subsection (a) of this section.

(i) The plan shall contain assurances that the activities funded under this section will be coordinated to the maximum extent feasible with other employment-related programs in the State, through joint agreements where practicable, or through joint administration, with programs funded under the Job Training Partnership Act to ensure maximum participation of eligible participants under such Act in training programs funded under this section, and through consultation and coordination with certified apprenticeship plans, where such plans are in effect, to ensure that the plan does not duplicate or undermine existing certified apprenticeship programs.

(j) The State plan shall include a certification which assures the following labor training standards and requirements will be met:

(1) conditions of training shall be appropriate and reasonable in the light of such factors as the type of work, geographical region, and proficiency of the participant;

(2) health and safety standards established under State or Federal law, otherwise applicable to working conditions of employees, shall be equally applicable to working conditions of participants;

(3) to the extent that a State workers' compensation law is applicable, workers' compensation benefits in accordance with such law shall be available with respect to injuries suffered by participants. To the extent that such law is not applicable, each recipient or subrecipient of funds under this section shall secure insurance coverage for injuries suffered by such participants, in accordance with regulations prescribed by the Secretary of Labor;

(4) no currently employed worker shall be displaced by any participant (including partial displacement such as a reduction in the hours of nonovertime work, wages, or employment benefits);

(5) no program shall impair existing contracts of employment;

(6) no person shall be trained for a job—

(A) When any other employee in the same workplace or plant is on layoff from the same or any substantially equivalent job; or

(B) when the employer has terminated the employment of any regular employee or otherwise reduced its work force with the intention of filling the vacancy so created by hiring a participant whose training is assisted under this section;

(7) recipients of funds available under this section have given assurances that such funds shall not be used to assist, promote, or deter union organizing;

(8) no funds available under this section may be used to assist, promote, or deter union organizing; and

(9) no funds will be used to train workers for low skilled occupations.

(k) Any grant under this section shall be extended in any year only after the State involved has provided a contribution, from public or private resources, to carry out the State plan in an amount equal to 10 per centum of the cost of the State plan for such year.

(l) Each training program under the State plan shall include contributions and other types of active participation during the course of training from industry or labor organizations or both, except that the President, upon written request from a State, may exempt training programs in economically depressed communities from the contribution required under this paragraph.

(m) A portion of a State's contribution may consist of "in kind" contributions of equipment, facilities, personnel, or services to the extent that such "in kind" contribution is utilized in carrying out the State's plan. No such "in kind" contribution may include equipment acquired under section 303E.

(n) The President shall act upon each State plan not later than ninety days after the date on which such State plan is received. Such action shall be based upon the recommendations of the Secretary of Defense, the Secretary of Labor, and the Secretary of Education.

(o) No person shall be excluded from participation in, denied the benefits of, subjected to discrimination under, or denied training in the administration of or in connection with any program under this section because of race, color, religion, sex, national origin, age, handicap, or political affiliation or belief.

(p) Not more than 10 per centum of the amount of any grant made under this section may be used by a State for administrative expenses incurred in carrying out a State plan.

(q) Assistance under this section may be used to purchase and install equipment for training purposes. The purchase of any such equipment shall be done by means of competitive bidding.

(r) For purposes of installing Government-owned equipment pursuant to section 303(e), the term "industrial facilities", as used in such section, shall include vocational schools, other schools offering technical and vocational training programs, and any other location in which workers are trained pursuant to this section.

(s) There are authorized to be appropriated to carry out the provisions of this section and section 303E not to exceed \$350,000,000 for each fiscal year beginning with fiscal year 1984 and continuing through fiscal year 1986, except that not more than \$100,000,000 is authorized to be appropriated for each such fiscal year to carry out the provisions of section 303E. All such sums shall remain available until expended.

#### DEFENSE-RELATED EQUIPMENT ASSISTANCE PROGRAM

SEC. 303E. (a)(1) The President shall take immediate action to develop and implement a grant program to assist colleges, universities, and other institutions of higher education in obtaining and installing modern equipment which shall be used to train professional, scientific, and technical personnel who are needed in the industries identified under subsection (a), (b), or (c) of section 303B.

(2) All students and faculty studying, teaching, or conducting research at such an institution of higher education shall have access to such equipment for use in accordance with regulations and practices of such institution of higher education.

(b) Any college, university, or other institution of higher education which desires to receive a grant under this section may submit an application to such Federal department or agency as the President shall designate. Each such application shall—

(1) certify the cost of purchasing and installing the equipment involved; and

(2) contain such other information as the President deems necessary.

(c)(1) Each college, university, or other institution of higher education whose application is approved under this section may be required to provide a matching share of up to 50 per centum of the cost of purchasing and installing the equipment involved.

(2) The purchase of any such equipment shall be done by means of competitive bidding.

(d) At the discretion of the President, equipment may be provided under section 303(e) to colleges, universities, and other institutions of higher education. For purposes of such section, the term "industrial facilities" shall include colleges, universities, and other institutions of higher education.

#### GENERAL PROVISIONS

SEC 303F. (a) Any equipment or plant financed through Federal assistance authorized by sections 303B through 303E shall be of United States origin to the maximum extent practicable. Exceptions to this limitation may be made whenever the Secretary of Commerce determines in writing—

(1) that the foreign sourcing of such equipment or plant will not adversely affect the capability or capacity of the United States defense industrial base to provide national defense materials in a time of emergency or war; or

(2) that such equipment or plant of United States origin is not available and is not practicable to obtain.

(b) The Comptroller General of the United States shall monitor the implementation of sections 303B through 303E, conduct such audits as he determines to be necessary, and submit an annual report of his findings to the Congress at the beginning of each session of the Congress. The first such annual report shall be submitted in the year following the enactment of the Defense Industrial Base Revitalization Act.

(c)(1) In order to carry out the provisions of sections 303B through 303E, the Office of Technology Assessment shall, subject to approval of the Technology Assessment Board and in a manner prescribed by section 472(d) of title 2, United States Code, undertake a study of the public facilities or infrastructure essential to the defense industrial base and provide Congress with appropriate recommendations for infrastructure measures designed to avoid serious impediments to the production and distribution of materiel.

(2) The President shall employ individuals for the purpose of assessing national strategic and critical minerals and materials in ac-

cordance with the National Materials and Minerals Policy, Research and Development Act of 1980 (Public Law 96-479).

(d)(1)(A) All laborers and mechanics employed for the construction, repair, or alteration of any project funded, in whole or in part, by a guarantee, loan, or grant entered into pursuant to the amendments made by the Defense Industrial Base Revitalization Act shall be paid wages at rates not less than those prevailing on projects of similar character in the locality as determined by the Secretary of Labor in accordance with the Act entitled "An Act relating to the rate of wages for laborers and mechanics employed on public buildings of the United States and the District of Columbia by contractors and subcontractors, and for other purposes", approved March 3, 1931 (40 U.S.C. 276a et seq.), and commonly known as the Davis-Bacon Act.

(B) Such rates are not required to be paid trainees enrolled in a public training program, established under sections 303C and 303D of this Act unless they are employed in connection with projects funded under this Act in whole or in part, exclusive of wages and benefits, or projects covered by other statutes requiring the payment of such Davis-Bacon Act wage rates.

(C) Notwithstanding subparagraph (B), trainees enrolled in a private training program, established under sections 303C and 303D shall receive such rates as required by such Davis-Bacon Act unless they are enrolled in training programs certified by the Secretary of Labor pursuant to such Act.

(D) Participation by a trainee on a project not otherwise covered by such Davis-Bacon Act or related statutes requiring the payment of prevailing wages for laborers and mechanics shall not require the payment of such wages to employees on that project.

(2) Guaranteeing agencies shall not extend guarantees and the President shall not make loans or grants for the construction, repair, or alteration of any project unless a certification is provided to the agency or the President, as the case may be, prior to the commencement of construction or at the time of filing an application for a loan, guarantee, or grant, if construction has already commenced, that these labor standards will be maintained at the project.

(3) With respect to the labor standards specified in this subsection, the Secretary of Labor shall have the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 and section 276(c) of title 40, United States Code.

(e) On October 1, 1983, and on the first business day of every sixth month beginning after such date, the President shall transmit a report to both Houses of the Congress listing all loans, loan guarantees, and commitments for loan guarantees which were issued under section 303B during the six calendar months preceding the transmittal date of the report involved.

(f) Notwithstanding any other provision of sections 303B through 303E, no funds are authorized to be appropriated to carry out such sections, unless all of such funds are attributed to a budget function or budget allocation other than one affecting or relating to education or labor, the Department of Education or the Department of Labor, the Committee on Education and Labor of the House of Representatives or the Committee on Labor and Human Resources of the Senate, or any subcommittee of the Committee on Appropri-

ations of either House primarily responsible for appropriations for education or labor.

(g) For purposes of sections 303A through 303E—

(1) the term "apprenticeship plan" means a plan approved by the Secretary of Labor pursuant to the National Apprenticeship Act (29 U.S.C. 50 et seq.);

(2) the term "State" means any of the several States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the Virgin Islands, the Northern Mariana Islands, American Samoa, the Trust Territory of the Pacific Islands, or any other territory or possession of the United States; and

(3) the term "United States" means the several States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the Virgin Islands, the Northern Mariana Islands, American Samoa, the Trust Territory of the Pacific Islands, and any other territory or possession of the United States.

## TITLE VII—GENERAL PROVISIONS

SEC. 701. (a) \* \* \*

*(e)(1)(A)(i)* Any person signing a contract which involves the sale of any defense article or defense service for use by a nation other than the United States and which includes an offset agreement in excess of \$5,000,000 shall file an annual report with the Secretary of the Treasury. Each such report shall include the total of all offsets, classified by the category of the defense material or defense services involved, entered into by such person during the three calendar years preceding the year in which such report is filed. The first such annual report shall be filed with the Secretary of the Treasury not later than June 1, 1984. Subsequent annual reports shall be filed not later than June 1 of each year.

(ii) Except as provided in subparagraph (B) and notwithstanding any other provision of law, including section 552 of title 5, United States Code (commonly known as the Freedom of Information Act), the Secretary of the Treasury shall not disclose, except to the Congress, and information required to be reported pursuant to this subparagraph.

(B) Not later than the first October 1 occurring more than ninety days after the date of the enactment of this subsection and not later than each October 1 occurring after such October 1, the Secretary of the Treasury shall submit to the Committee on Banking, Housing, and Urban Affairs of the Senate and to the Committee on Banking, Finance and Urban Affairs of the House of Representatives a report on the total number of contracts reported pursuant to subparagraph (A) and the total amount of offsets required by such contracts. Such report shall contain a breakdown of offsets by category of defense material or defense services involved and by recipient country.

(2) For purposes of this subsection—

(A) the term "offset" means any international transaction between a buyer and seller that provides nonmonetary compensation which may include, but not be limited to, the transfer of production or technology to the buyer as a consideration for the purchase of a particular item or service; and

(B) the term "person" means any individual, sole proprietorship, partnership, or corporation.

(3) This subsection shall cease to be effective five years after the date of the enactment of this subsection.

(f) The Secretary of Defense shall report to the Committee on Banking, Housing, and Urban Affairs of the Senate and to the Committee on Banking, Finance and Urban Affairs of the House of Representatives any memorandum of understanding or similar agreement which involves actual, planned, or potential offsets in contracts involving the sale of defense articles or services in excess of \$5,000,000 not later than 30 days after the Secretary of Defense signs such memorandum of understanding.

SEC. 717. (a) Title I (except section 104), title III, and VII (except sections 708, 714, and 719) of this Act, and all authority conferred thereunder shall terminate at the close of September 30, [1983] 1986: *Provided*, That all authority hereby or hereafter extended under title III of this Act shall be effective for any fiscal year only to such extent or in such amounts as are provided in advance in appropriation Acts. Section 714 of this Act, and all authority conferred thereunder, shall terminate at the close of July 31, 1953. Section 104, title II, and title VI of this Act, and all authority conferred thereunder shall terminate at the close of June 30, 1953. Title IV and V of this Act, and all authority conferred thereunder, shall terminate at the close of April 30, 1953.

#### **[NATIONAL COMMISSION ON SUPPLIES AND SHORTAGES]**

[SEC. 720. (a) **SHORT TITLE**—This section may be cited as the "National Commission on Supplies and Shortages Act of 1974".

[ (b) **FINDINGS**.—(1) The United States is increasingly dependent on the importation from foreign nations of certain natural resources vital to commerce and the national defense.

[ (2) Nations that export such resources can alone or in association with other nations arbitrarily raise the prices of such resources to levels which are unreasonable and disruptive of domestic and foreign economies.

[ (3) Shortages of resources and commodities are becoming increasingly frequent in the United States, and such shortages cause undue inconvenience and expense to consumers and a burden on interstate commerce and the Nation's economy.

[ (4) Existing institutions do not adequately identify and anticipate such shortages and do not adequately monitor, study, and analyze other market adversities involving specific industries and specific sectors of the economy.

[ (5) Data with respect to such shortages and adversities is collected in various agencies of the Government for various purposes, but is not systematically coordinated and disseminated to the appropriate agencies and to the Congress.

[ (c) **PURPOSES**.—It is the purpose of this Act to establish a national commission to facilitate more effective and informed responses to resource and commodity shortages and to report to the President and the Congress on needed institutional adjustments for examining and predicting shortages and on the existence or possi-



bility of shortages with respect to essential resources and commodities.

[(d) ESTABLISHMENT OF COMMISSION.—There is established as an independent instrumentality of the Federal Government a National Commission on Supplies and Shortages (hereinafter referred to as the "Commission"). The Commission shall be comprised of thirteen members selected for such period of time as such Commission shall continue in existence (except that any individual appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of such term) as follows:

[(1) The President, in consultation with the majority and minority leaders of the Senate and the majority and minority leaders of the House of Representatives, shall appoint five members of the Commission from among persons in private life;

[(2) The President shall designate four senior officials of the executive branch to serve without additional compensation, and may appoint additional nonvoting ex officio members from agencies having jurisdiction over areas being considered by the Commission;

[(3) The President of the Senate, after consultation with the majority and minority leaders of the Senate, shall appoint two Senators to be members of the Commission and the Speaker of the House of Representatives, after consultation with the majority and minority leaders of the House of Representatives, shall appoint two Representatives to be members of the Commission to serve without additional compensation.

[(e) CHAIRMAN AND VICE CHAIRMAN.—The President, in consultation with the majority and minority leaders of the Senate and the House of Representatives shall designate a Chairman and Vice Chairman of the Commission.

[(f) COMPENSATION.—Each member of the Commission appointed pursuant to subsection (d)(1) of this section shall be entitled to be compensated at a rate equal to the per diem equivalent of the rate for an individual occupying a position under level III of the Executive Schedule under section 5314 of title 5, United States Code, when engaged in the actual performance of duties as such a member, and all members of the Commission shall be entitled to reimbursement for travel, subsistence, and other necessary expenses incurred in the performance of their duties.

[(g) FUNCTIONS OF THE COMMISSION.—It shall be the function of the Commission to make reports to the President and to the Congress with respect to—

[(1) the existence or possibility of any long- or short-term shortages; employment, price or business practices; or market adversities affecting the supply of any natural resources, raw agriculture commodities, materials, manufactured products (including any possible impairment of productive capacity which may result from shortages in materials, resources, commodities, manufactured products, plant or equipment, or capital investment, and the causes of such shortages, practices, or adversities);

[(2) the adverse impact of possible adverse impact of such shortages, practices, or adversities upon consumers, in terms of price and lack of availability of desired goods;

[(3) the need for, and the assessment of, alternative actions necessary to increase the availability of the items referred to in paragraph (1) of this subsection, to correct the adversity or practice affecting the availability of any such items, or otherwise to mitigate the adverse impact or possible adverse impact of shortages, practices, or adversities upon consumers referred to in paragraph (2) of this subsection;

[(4) existing policies and practices of Government which may tend to affect the supply of natural resources and other commodities;

[(5) necessary legislative and administrative actions to develop a comprehensive strategic and economic stockpiling and inventories policies which facilitates the availability of essential resources;

[(6) the means by which information with respect to paragraphs (1), (2), (3), (4) of this subsection can be most effectively and economically gathered and coordinated.

[(h) REPORTS OF THE COMMISSION.—The Commission shall report not later than December 31, 1976, to the President and the Congress on specific recommendations with respect to institutional adjustments, including the advisability of establishing an independent agency to provide for a comprehensive data collection and storage system, to aid in examination and analysis of the supplies and shortages in the economy of the United States and in relation to the rest of the world. The Commission may, until March 31, 1977, prepare, publish and transmit to the President and the Congress such other reports and recommendations as it deems appropriate.

[(i) ADVISORY COMMITTEE.—(1) The Commission is authorized to establish such advisory committees as may be necessary or appropriate to carry out any specific analytical or investigative undertakings on behalf of the Commission. Any such committee shall be subject to the relevant provisions of the Federal Advisory Committee Act.

[(2) The Commission shall establish an advisory committee to develop recommendations as to the establishment of a policy making process and structure within the executive and legislative branches of the Federal Government as a means to integrate the study of supplies and shortages of resources and commodities into the total problem of balanced national growth and development, and a system for coordinating these efforts with appropriate multi-State, regional and State governmental jurisdictions. For the purpose of carrying out the provision of this paragraph there is authorized to be appropriated not to exceed \$150,000 to remain available until March 31, 1977.

[(j) STAFF AND POWERS OF THE COMMISSION.—(1) Subject to such rules and regulations as it may adopt, the Commission, through its Chairman, shall—

[(A) appoint and fix the compensation of an Executive Director at the rate provided for level III of the Executive Schedule under section 5314 of title 5, United States Code, and such additional staff personnel as is deemed necessary, without

regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and without regard to chapter 51, and subchapter III of chapter 53 of such title relating to classification and the General Schedule under section 5332 of such title; and

[(B) be authorized to procure temporary and intermittent services to the same extent as is authorized by section 3109 of title 5, United States Code.

[(2) The Commission or any subcommittee thereof is authorized to hold hearings and to sit and act as such times and places, as it may deem advisable.

[(3) The Commission is authorized to contract with public or private agencies, institutions, corporations, and other organizations.

[(k) ASSISTANCE OF GOVERNMENT AGENCIES.—Each department, agency, and instrumentality of the Federal Government, including the Congress, consistent with the Constitution of the United States, and independent agencies, is authorized and directed to furnish to the Commission, upon request made by the Chairman, such data, reports, and other information as the Commission deems necessary to carry out its functions under this Act.

[(1) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to the Commission not to exceed \$1,484,000 to remain available until March 31, 1977, to carry out the provisions of this Act.]

### MINORITY VIEWS

#### H.R. 2782—THE DEFENSE INDUSTRIAL BASE REVITALIZATION ACT

We strongly oppose H.R. 2782 as reported by our Committee. Our comments will focus on those sections of the bill which are under the primary jurisdiction of the Education and Labor Committee.

#### DUPLICATIVE PROGRAMS

We object to the bill because it would establish two new categorical programs one of which would essentially duplicate other Federal training programs. In fact, Paul K. Krueger the Assistant Director for Resources Preparedness of the Federal Emergency Management Agency noted in testimony before the Economic Stabilization Subcommittee of the Committee on Banking, Finance, and Urban Affairs on April 13, 1983 that:

The Administration strongly opposes \* \* \* H.R. 2782 \* \* \* The creation of a State training grant program and the authorization of a new grant program for colleges and universities to purchase equipment are inappropriate to the purposes of the defense production act and would duplicate a number of ongoing provisions and new administration initiatives in other agencies. These include: Training under the Vocational Education Act, the Job Training Partnership Act, National Science Foundation programs to upgrade research instrumentation at universities, and NSF and Education Department programs to improve science and mathematics instruction for our future workforce.

\* \* \* The administration believes that the job training proposals in H.R. 2782 are unnecessary and duplicate these initiatives that are already underway.

During the last Congress an almost identical set of provisions dealing with training and equipment assistance were included in H.R. 5540 the predecessor of H.R. 2782. Our minority views expressed our basic objections at that time and we feel that those points are even more appropriate today. For example we stated that "the well known problems of duplication, overlapping jurisdiction, and State and local planning procedures with accompanying layers of bureaucracy are inherent in such an approach" (as proposed in section 303D of H.R. 2782). "The General Accounting Office, in raising concerns over this bill, has noted that it has issued a number of reports documenting that the existence of closely related categorical programs can cause duplication, overlap, and excessive administrative costs for grantees, impeding the coordination of services to clients."

Since that time a number of relevant legislative actions have taken place. Congress has enacted and the President has signed the

Job Training Partnership Act [JTPA]. It is obvious that H.R. 2782 would create a set of "shadow provisions" to the dislocated workers program authorized under title III of the JTPA. If there were not coordination between the JTPA dislocated workers program and those proposed by H.R. 2782, States and localities would face a potential nightmare of conflicting requirements for matching funds and other programmatic requirements.

Another example is the recent House approval of a major new \$425 million Emergency Mathematics and Science Education bill which would be duplicated and overlapped by sections 303D and E of H.R. 2782.

As the GAO stated in 1982, "we, therefore believe that creating another categorical grant program would not be the best way to achieve the bill's objective." We agree with the GAO that, if Congress and the President decide that it is in the national interest to invest additional Federal dollars, such funds ought to be folded into an existing Federal training assistance program such as Vocational Education— slated for reauthorization by the Elementary, Secondary, and Vocational Education Subcommittee this summer—that could be earmarked for accomplishing defense oriented objectives. It is ludicrous on its face to create a new separate categorical program and then attempt to design an elaborate mechanism and process to insure that the new funds would be coordinated with those of other similar federally assisted employment and training programs.

It should also be noted that in section 303D, other than the State Board for Vocational Education, the bill states that an agency or agencies can be allotted funds for training programs. These agencies do not have to be State agencies, therefore the Governor has broad flexibility to name whatever agency, association, organization, et cetera to be the distributor of the funds. This process could lead to significant questions of liability. Ironically, this section contains no provision for an improper expenditure of funds or fund liability.

#### INSTALLATION OF EQUIPMENT

In addition, section 303E establishes a grant program to assist in updating equipment in higher education in order to serve the needs of the defense industrial base. This provision states that all students and faculty studying, teaching, or conducting research at such an institution shall have access to such equipment. GAO felt that this section raises many questions regarding who decides which disciplines would be qualified and on what basis. Probably every field could demonstrate some link to defense needs. Also, the bill sets no standards against which requests for equipment assistance can be judged. Without such standards, sophisticated equipment could be provided to requesting institutions that have neither the faculty nor students required to utilize them. There is no provision in the legislation to allow the Federal Government to recoup its investment in such equipment if a higher education institution fails to live up to its agreement on the use of the equipment once the equipment is installed. Furthermore, there is no authority for

the promulgation of regulations. Without this authority, many of these issues will remain ambiguous.

ADMINISTRATION'S VIEW

It should be repeated that the administration strongly opposes H.R. 2782. The Director of the Office of Management and Budget has written that the "Administration is strongly opposed to a proposal to expand the Defense Production Act by providing subsidies or manpower training for selected industries." The administration prefers to rely on the marketplace, together with administration economic, tax, and regulatory reforms to improve the competitiveness of U.S. industry.

For all of these reasons we cannot support H.R. 2782 and intend to oppose it when the measure is brought before the House.

JOHN N. ERLNBORN.  
WILLIAM F. GOODLING.  
STEVE BARTLETT.  
HOWARD C. NIELSON.

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